



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

December 28, 2005

### **S. 1047**

#### **Presidential \$1 Coin Act of 2005**

*As cleared by the Congress on December 13, 2005, and  
signed by the President on December 22, 2005*

#### **SUMMARY**

S. 1047 (enacted as Public Law 109-145) authorizes the U.S. Mint to create a new Presidential dollar coin, First Spouse gold coins, a .9999 fine (24K) gold bullion coin, and a redesigned 1-cent coin. CBO estimates that enacting this legislation will decrease direct spending by \$34 million over the 2006-2015 period. S. 1047 will not affect revenues.

#### **MAJOR PROVISIONS**

Beginning in 2007, S. 1047 directs the Treasury to create a series of \$1 coins commemorating all former U.S. Presidents. The coins will have an image of a former President, and the reverse will feature an image of the Statue of Liberty. Under the legislation, one-third of all \$1 coins minted will be Sacagawea dollar coins (Golden Dollar). The Mint will issue four different \$1 coins a year in the order of the period of service of each President starting with George Washington. The legislation authorizes the Mint to sell \$1 proof coins and uncirculated versions. S. 1047 does not terminate production of the \$1 bill and will not affect the circulation of any of the current \$1 coins.

In addition, S. 1047 directs the U.S. Mint to produce a 24K gold bullion \$10 coin honoring the spouses of former Presidents. The new half-ounce gold coins will be produced in sequence with the \$1 Presidential coins. The gold coins will have an image of the First Lady, and the reverse will feature an image emblematic of the First Lady's life and work. The legislation authorizes the Mint to sell proof and uncirculated versions. In addition, S. 1047 authorizes the Mint to sell bronze copies of the gold bullion coin. The legislation also requires the Mint to produce a new 24K gold bullion 1-ounce \$50 coin. For the first year, this coin will bear the classic Indian Head 5-cent coin or "Buffalo nickel" design. Treasury has the discretion to change the design after the first year and set the mintage levels in any year.

S. 1047 also authorizes the U.S. Mint to make changes to the design of the 1-cent coin. For calendar year 2009, four circulating and one copper penny will be issued to commemorate the bicentennial anniversary of the birth of Abraham Lincoln. Beginning in calendar year 2010, the reverse side of the penny will bear an emblematic image of Lincoln's preservation of the United States as a single united country.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1047 is shown in the following table. The costs of this legislation fall within budget function 800 (general government).

	By Fiscal Year, in Millions of Dollars									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>CHANGES IN DIRECT SPENDING</b>										
Production of Presidential \$1 Coin										
Estimated Budget Authority	2	1	*	*	*	*	*	*	*	*
Estimated Outlays	2	1	*	*	*	*	*	*	*	*
Net Sales of First-Spouse Gold Bullion Coin										
Estimated Budget Authority	0	*	-1	-1	-1	-1	-1	-1	-1	-1
Estimated Outlays	0	*	-1	-1	-1	-1	-1	-1	-1	-1
Net Sales of Buffalo Gold Bullion Coin										
Estimated Budget Authority	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3
Estimated Outlays	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3
Production of Abraham Lincoln Bicentennial 1-Cent Coin										
Estimated Budget Authority	0	0	*	0	0	0	0	0	0	0
Estimated Outlays	0	0	*	0	0	0	0	0	0	0
Net Changes in Direct Spending Under S. 1047										
Estimated Budget Authority	0	-2	-4	-4	-4	-4	-4	-4	-4	-4
Estimated Outlays	0	-2	-4	-4	-4	-4	-4	-4	-4	-4

NOTE: \* = less than \$500,000.

In addition to the budgetary effects summarized in the table, by increasing the value of coins held by the public, S. 1047 also will provide the government with additional resources for financing the federal deficit. Seigniorage (or profit)—the difference between the face value of the coins and the cost of production—reduces the amount the government would otherwise need to borrow from the public to finance the federal budget deficit. CBO estimates that seigniorage resulting from the value of additional coins in circulation under the bill will

amount to about \$280 million over the 2006-2015 period. Under the principles established by the President's 1967 Commission on Budget Concepts, seigniorage does not directly affect the budget but is treated as a means of financing the deficit.

## **BASIS OF ESTIMATE**

### **Direct Spending**

**Presidential \$1 Coin Program.** S. 1047 will create a series of \$1 coins commemorating all former U.S. Presidents. The Presidential coin will have distinctive tactile and visual features on the edge of the coin. The legislation specifies that one-third of all \$1 coins issued will be Golden Dollars. According to the Mint, it will need at least 18 months to design, test, and produce a new \$1 Presidential coin for circulation. CBO expects that the first new coins will begin circulating late in fiscal year 2007. CBO estimates start-up costs for producing a new \$1 coin will increase direct spending by about \$3 million over the 2006-2007 period, based on the experience of prior new issues by the Mint.

S. 1047 authorizes the Mint to include the new \$1 coin in collector coin sets sold to the public. Adding four new \$1 coins to the Mint's current sets could increase offsetting collections to the U.S. Mint Public Enterprise Fund if the new coins increase collectors' interest in the sets. However, CBO estimates that any increase in offsetting collections from the sale of commercial products will be small and primarily of a one-time nature over the first two years of the program. In addition, CBO expects that the Mint will retain and spend any additional collections, resulting in a negligible net budgetary effect over the next 10 years.

**First-Spouse Bullion Coin.** S. 1047 directs the U.S. Mint to produce a 24K gold bullion \$10 coin for investors, honoring the spouses of former Presidents. The new gold bullion coin will be produced in the same sequence as the \$1 Presidential coins. The coin will feature an image of the spouse of the former President, and the reverse will feature an image of her life and work. CBO expects that the first \$10 gold coins will be ready at the same time as the \$1 Presidential coin.

Public Law 104-52, which established the U.S. Mint Public Enterprise Fund, requires the Mint to transfer any excess funds to the general fund of the Treasury at least annually. Based on information from the Mint and the numismatic community, CBO expects that the First-Spouse gold bullion coin will generate sales similar to recent commemorative coins. In addition, the Mint could sell bronze duplicates to the public; however, based on the sales of previous duplicates, we do not expect that those sales will be large. CBO estimates that the

Mint will produce about 10,000 gold coins per design annually, generating about \$1 million a year in excess funds that will be recorded in the budget as offsetting receipts.

**Buffalo Gold Bullion Coin.** S. 1047 authorizes the Mint to produce a new 24K gold bullion 1-ounce \$50 coin for investors. For the first year, coins will bear the classic Indian Head 5-cent coin or “Buffalo nickel” design of the early 20th century. In addition, the legislation requires all bullion coins to be sold with a protective cover. After the first year of issuance, the legislation allows the Treasury to change the design after consultation with the Commission on Fine Arts and a review by the Citizens Coinage Advisory Committee.

Based on information from the Mint and the numismatic community, CBO expects that the Buffalo gold bullion coins will generate sales similar to the American Buffalo Commemorative coin, which sold out within two weeks. After 2006, CBO believes the Mint will continue to produce a Buffalo gold bullion coin or a similar successful previous design. The Mint currently produces a 22K gold bullion with average sales of about 400,000 ounces annually. CBO anticipates that with the addition of a new 24K gold bullion coin, sales of the 22K coin will diminish. Thus, CBO estimates that the Mint will produce over 500,000 new gold bullion coins annually, generating about \$3 million a year in excess funds that will be recorded in the budget as offsetting receipts.

**Abraham Lincoln Bicentennial 1-Cent Coins.** S. 1047 directs the U.S. Mint to change the design of the current 1-cent coin beginning in calendar year 2009 to celebrate the 200th anniversary of the birth of Abraham Lincoln. Four pennies will be issued to reflect the four major periods in Lincoln’s life. The legislation also requires the Mint to produce a new copper penny in 2009 with the same metallic content as the 1909 penny (Lincoln cent) in amounts appropriate for the numismatic community.

According to the Mint, it will take approximately six months to design, test, and produce the 1-cent coins for circulation in 2009. CBO estimates that designing and preparing dies for a new 1-cent coin will cost less than \$100,000 in 2008. In addition, production of the copper penny will be based on market research and requests. Adding a new 1-cent coin to the Mint’s current sets could increase offsetting collections to the U.S. Mint Public Enterprise Fund if the new coin increases collectors' interest in the sets. However, any increase in offsetting collections from the sale of commercial products will be available to the Mint to retain and spend and will have a negligible net budgetary impact over time.

## Seigniorage

In addition to the bill's effects on direct spending, by increasing the public's holding of dollar coins, S. 1047 also will result in additional federal resources for financing the deficit. The seigniorage, or profit, from placing the new coins in circulation reduces the amount the government would otherwise borrow from the public to finance the deficit. By circulating a new \$1 Presidential coin with the current Golden Dollar and Susan B. Anthony coins, the legislation will increase the seigniorage earned if the new \$1 coin is more widely circulated. CBO estimates that there will be no significant effect on seigniorage from the new 1-cent coins.

A Government Accountability Office report (GAO-02-896, September 2003) noted that, after a multimillion dollar marketing and advertising campaign, the Golden Dollar, like the Susan B. Anthony \$1 coin, has not achieved widespread use. It has increased the public's interest in collecting the \$1 coin but is not widely circulating. Barriers to the public's acceptance include the continued circulation of the \$1 bill and the commingling of the Susan B. Anthony and Sacagwea dollars in rolls for distribution.

The Mint's 50 State Quarters program, involving a set of recurring designs commemorating each state, has been credited with generating renewed interest in holding more coins by collectors and the public. The production of quarters increased from 1.7 billion coins in fiscal year 1998 to over 6 billion in fiscal year 2000 when the 50 State Quarters program began. By fiscal year 2005, demand for quarters had fallen to about 2.3 billion quarters. The Mint estimates that the 50 State Quarters program has generated about \$4.9 billion in seigniorage since the program began in 1999.

Taking into account the experience of the 50 State Quarters program, information from the numismatic community, and the public's continued resistance to the use of dollar coins, CBO expects that the new \$1 Presidential coin will increase the public's interest in collecting coins, but it will continue to face barriers to widespread use. CBO expects that most of the demand for the \$1 Presidential coin will be from collectors. According to the Mint, the federal government is currently putting into circulation about 55 million Golden Dollar coins annually, with seigniorage of 80 cents per coin. CBO expects that demand for the new \$1 Presidential coin will double the current demand for the dollar coin to about 100 million annually in 2008. After that, we expect that production will decline, following the experience of the 50 State Quarters program. Hence, CBO estimates that replacing the Golden Dollar with the \$1 Presidential coin will increase seigniorage by about \$280 million over the 2006-2015 period.

## **PREVIOUS CBO ESTIMATE**

On August 12, 2005, CBO transmitted a cost estimate for S. 1047 as ordered reported by the Senate Committee on Banking, Housing, and Urban Affairs on July 29, 2005. The two versions of the legislation are similar, as are their estimated costs. CBO now estimates that net receipts for the Buffalo gold bullion coin will be about \$1 million a year higher than we previously estimated, reflecting recent market prices for gold.

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